

Update 6

2004 Year-End Report

HABITATSSM
NEW YORK

The Black and White Report

A Comprehensive Analysis of
the Manhattan Residential
Rental Market from
January - December 2004



METHODOLOGY STATEMENT

The Black and White Report provides the most comprehensive analysis of the current state of Manhattan's residential rental marketplace. The data analyzed by *The Black and White Report Update 6* spans the 12 month period of January to December 2004. We break this rental information down into smaller, more size-specific categories, such as geography and unit type, to give you a complete understanding of Manhattan's wide-ranging market.

The statistical integrity of *The Black and White Report* is unparalleled. Compiled by the managers and staff of Citi Habitats' eighteen offices citywide, and incorporating a sampling of more than ten thousand executed rental agreements from over eleven hundred properties, *The Black and White Report* identifies the actual, undeniable trends in today's real estate market.



REBNY[®]
Real Estate Board of New York

The Black and White Report

6th Edition

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LETTER FROM OUR FOUNDER



Andrew Heiberger

On behalf of Citi Habitats, Inc., it is my pleasure to present *The Black and White Report*, our comprehensive look at the economic trends of Manhattan's residential real estate market. This unparalleled report tracks, analyzes, and interprets real data based on thousands of Citi Habitats rental transactions over the course of a 12-month period.

From identifying the average rental price and price per square foot of today's most popular rentals, to identifying the neighborhoods with the most or fewest vacancies, or determining the ideal unit mix of a new development, every reader will be empowered to make informed decisions using the resources contained in this report. Whether you are a renter, an investor, an owner, developer or architect, there is important information here for you to utilize.

In June 2004, Citi Habitats was acquired by NRT, Inc., a subsidiary of Cendant Corporation (NYSE:CD), and the nation's leading residential real estate brokerage. I was extremely excited about the acquisition when I learned that NRT shared my vision of outstanding customer service. Together we realize that the real estate business has become, and will continue to be, a customer service business. *The Black and White Report* is one example of the high level of resources that Citi Habitats has to offer.

A stylized, handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end.

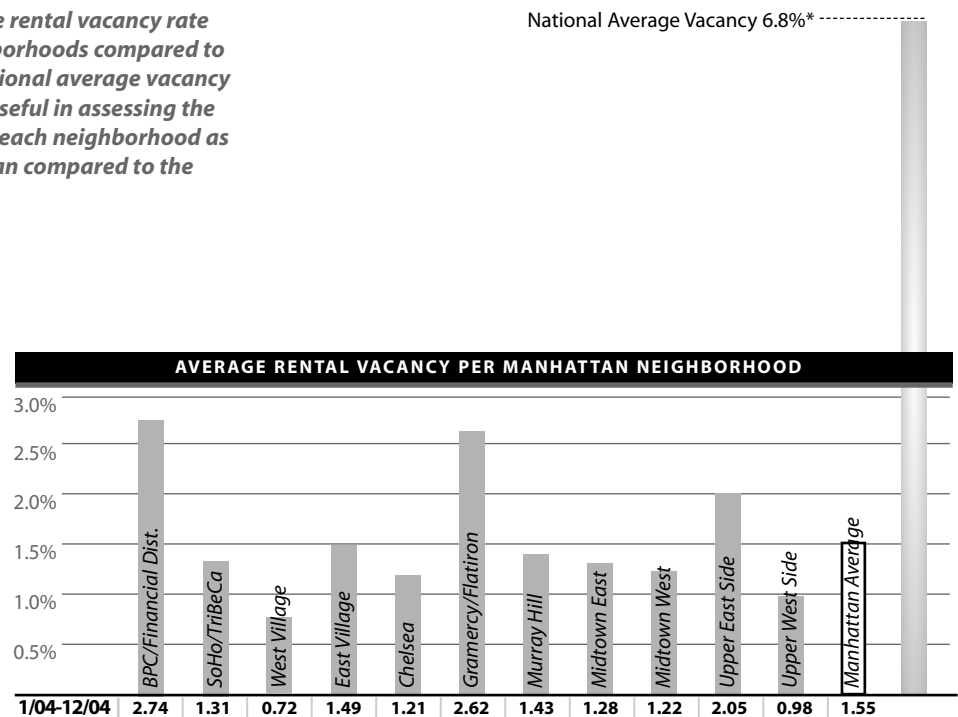
Andrew Heiberger
Founder
Citi Habitats, Inc.

Rental *vacancy rates*

This graph illustrates the average rental vacancy rate in each of Manhattan's 11 neighborhoods compared to the citywide average and the national average vacancy rate. This information has been useful in assessing the strength of the rental market for each neighborhood as well as for the whole of Manhattan compared to the rest of the nation.

Discussion One of the most commonly asked questions is: what are the vacancy rates in the City's various neighborhoods? Here you see that the numbers speak for themselves. Vacancy rates are at a pre-September 11th low. Despite all that the City has been through, across the board, its low vacancies are remarkable. The methodology behind the gathering of this data by Citi Habitats' market research division is comprehensive. Because we maintain a vast network of relationships with landlords and management companies and have the City's largest proprietary rental listings database, Citi Habitats is the only Manhattan firm to track vacancies in such a detailed manner, generating a "Vacancy Rate Index".

It is important to note that vacancy rates tie into rental prices. Historically, when vacancy rates are steady between 2-4%, rents remain stagnant. However, when vacancies drop below 2%, rents begin to climb. Compared to the blended national average vacancy, which is 6.8%,* the City's considerably lower rates are strong, indicating that rents are poised to rise.



Source: A sampling of 8-10 key rental buildings in each Manhattan neighborhood below 100th Street, including doorman and non-doorman buildings.

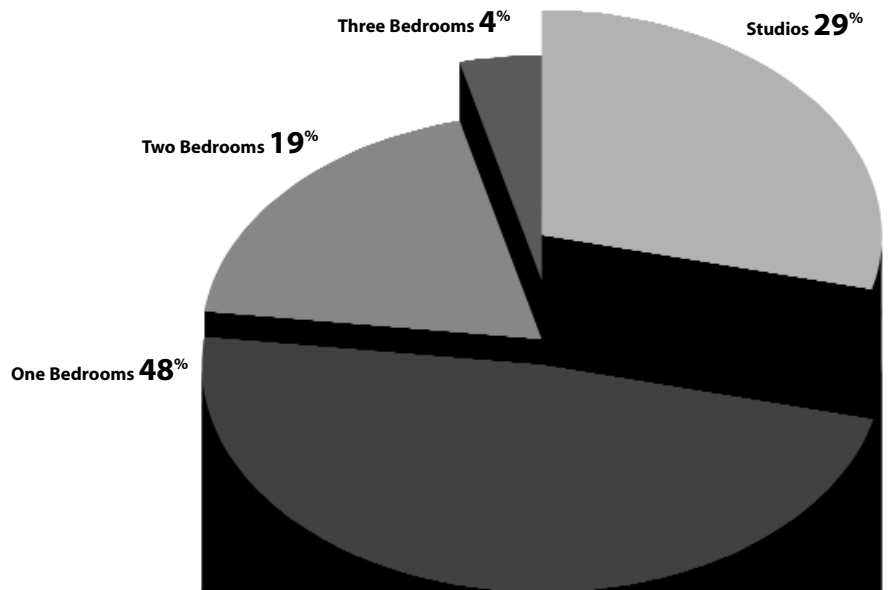
*Source: Korpacz Real Estate Investor Survey, Fourth Quarter 2004, and National Association of Realtors, Torto Wheaton Research, Bureau of Labor Statistics.

What is renting?

This chart illustrates the percentage of each unit type: studio, one bedroom, two bedroom, and three bedroom apartments rented during the current report period. This information is important in determining and projecting the demand for each unit type in the rental marketplace.

Discussion Consistent with our previous reports, studios and one bedroom apartments comprise more than 75% of the rental market. This statistic is no surprise, since renters typically fall into one of three categories which lend themselves to these smaller unit types. Renters are usually a) living in a temporary situation; b) not yet married or not yet married with children; or c) of lesser means. These factors make renters more inclined to rent studios and one bedrooms.

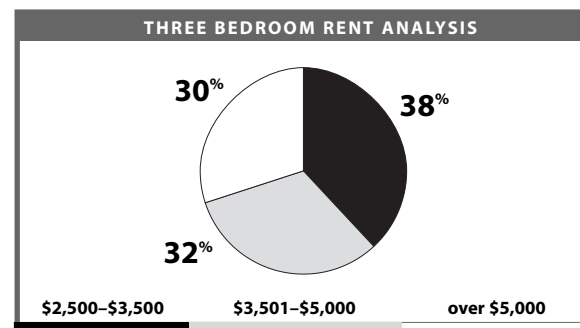
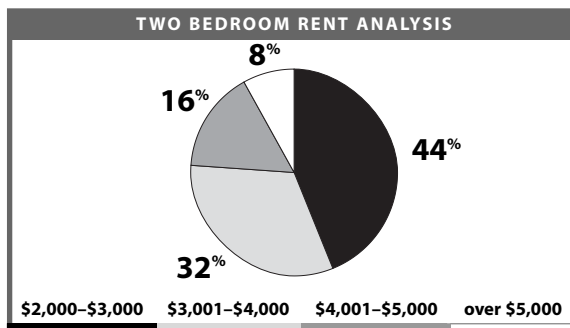
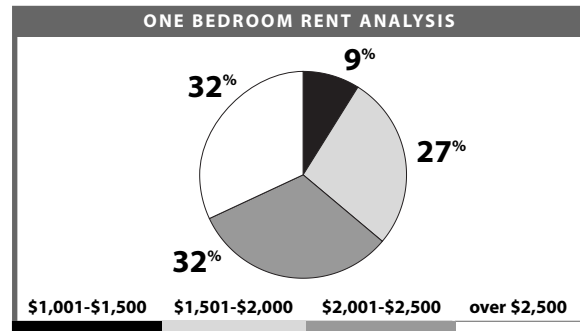
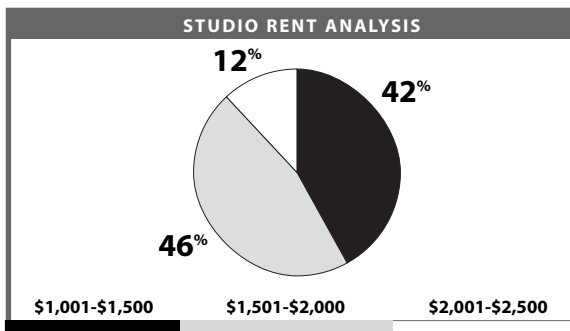
In keeping with the high demand for these smaller unit types, the current trend for developers is to open rental buildings whose unit mix excludes three bedrooms. Many are shying away from two bedrooms, and some developers are opting for buildings that are completely studios. Owners should also note these trends when determining rental levels.



Source: All Citi Habitats' transactions from January 2004-December 2004. The data represents over 4,000 buildings and 245 exclusive properties, including both doorman and non-doorman buildings. Totals over 10,000 rental transactions for the period.

Profile *of Manhattan renters*

The following graphs illustrate the different price points that renters are paying for various sized apartments. The data is representative of the demand for rental unit types at different price points. This information has been useful in determining the pricing thresholds for both new and existing rental units.



Source: All Citi Habitats' transactions from January 2004-December 2004. The data represents over 4,000 buildings and 245 exclusive properties, including both doorman and non-doorman buildings. Totals over 10,000 rental transactions for the period.

Discussion Our findings show that the majority of rented studios and one bedrooms remained priced as expected, below and above the \$2,000 mark, respectively. This steadiness is attributed to the consistent level of interest in these unit types. As rents rise and one bedroom apartments get priced out of many renters' budgets, studios become a more attractive option.

We also see that less people are renting two bedrooms and three bedrooms priced over \$5,000 per month. The reason for this shift is that these higher tier renters are taking advantage of the buying frenzy and are opting to put their money into a property purchase.



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Marketing Group

CITI HABITATS
RELOCATION

CITI HABITATS
NEW YORK

Corporate Headquarters
250 Park Avenue South

CITI HABITATS
Corporate Training Facility
450 Park Avenue South



Upper West Side
465 Columbus Ave.

Upper West Side
222 West 72nd St.

Upper East Side
400 East 84th St.

Upper East Side
400 East 76th St.

Midtown West
346 West 57th St.

Midtown East
937 Second Ave.

Murray Hill
30 East 33rd St.

Murray Hill
450 Park Ave So.

Murray Hill
206 East 38th St.

Chelsea
155 Seventh Ave.

Gramercy/Flatiron
32 East 22nd St.

Gramercy/Flatiron
27 East 22nd St.

Sales Headquarters
250 Park Ave So.

West Village
114 Perry St.

East Village
37 Third Ave.

Greenwich Village
1 Great Jones St.

SoHo
62 Greene St.

Financial District
100 John St.

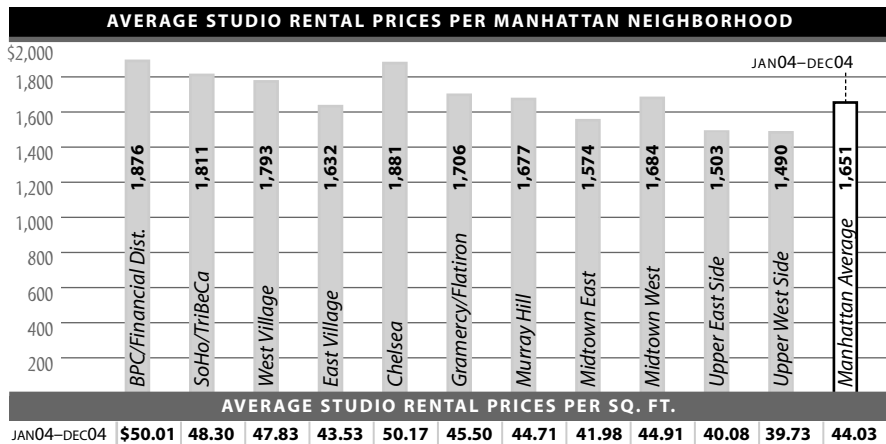
*No matter
where your needs lie,
Citi Habitats is there.
With 18 offices citywide,
and over 1,000
licensed professionals
and staff, we've got
the City covered!*

Rental *prices*

The following graphs illustrate the average rents for studio, one bedroom, two bedroom, and three bedroom apartments in Manhattan's 11 different neighborhoods over the course of the year. Beneath each graph, the average rental price per square foot for all neighborhoods is indicated.

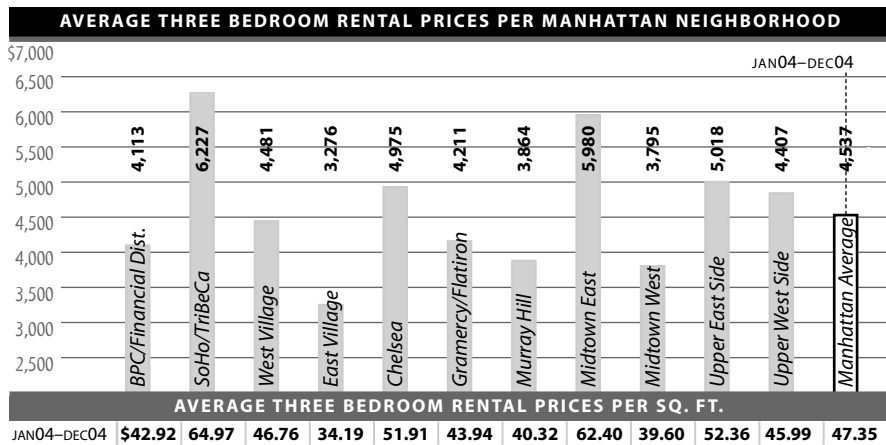
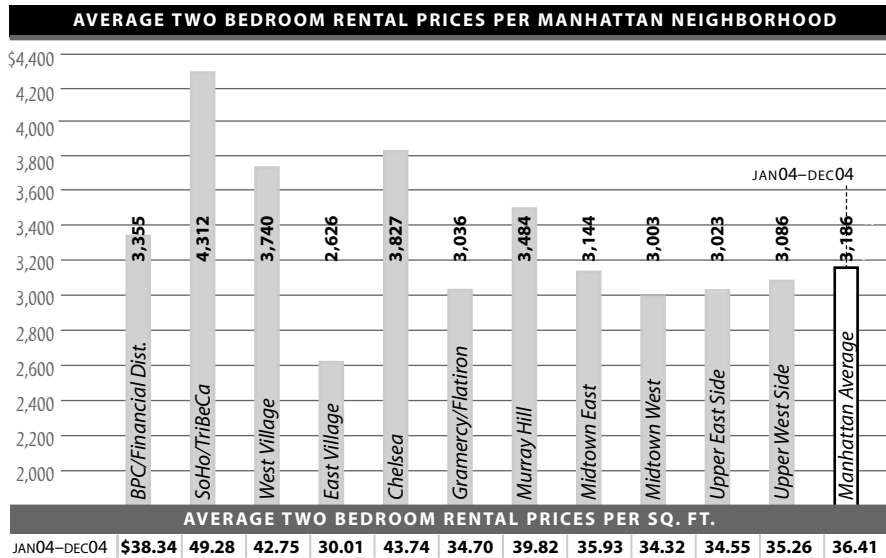
Discussion Rental prices have slightly increased due to the City's low vacancy rate, which is at a pre-September 11th low. As available inventory is absorbed, rental prices are starting to trend upwards.

The sales market is attracting some renters away, with the most noticeable effect on the two and three bedroom rental market. There is little synergy between the studio and one bedroom renter and the studio and one bedroom buyer, so the booming sales market is not having an impact on 76% of the rental marketplace, which we have shown is comprised of studios and one bedroom apartments.



Source: All Citi Habitats' transactions from January 2004-December 2004. The data represents over 4,000 buildings and 245 exclusive properties, including both doorman and non-doorman buildings. Totals over 10,000 rental transactions for the period.

Rental prices (continued)



Source: All Citi Habitats' transactions from January 2004-December 2004. The data represents over 4,000 buildings and 245 exclusive properties, including both doorman and non-doorman buildings. Totals over 10,000 rental transactions for the period.



For a customized report tailored to your specific needs, contact the Market Research Department at our Corporate Headquarters 212.685.7777

Our Affiliates, Divisions, and Services



CITI CONCIERGE

New York at Your Fingertips

Citi Concierge is a complimentary program extended to Citi Habitats' valued clients. It puts the best of New York at your fingertips, from dining and entertainment to Settling-In Services.

www.nyciti-concierge.com



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CITI HABITATS MARKETING GROUP

Concept to Completion

Citi Habitats' On-Site Marketing Division represents many of New York's top developers and landlords. We are the exclusive on-site leasing agency for some of the city's finest luxury residences.

www.citihabitats.com



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CITI OUTREACH

Because Citi Cares

Through Citi Outreach, Citi Habitats agents and staff give back to the community by supporting a number of local and national charity organizations. We routinely and systematically rise to the challenge of making our city, and our country, a better place for all to live in.

www.citihabitats.com

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